

# **Committee on Resources,**

## **Subcommittee on Energy & Mineral Resources**

[energy](#) - - Rep. Barbara Cubin, Chairman

U.S. House of Representatives, Washington, D.C. 20515-6208 - - (202) 225-9297

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### **Witness Statement**

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#### **STATEMENT**

**For**

#### **"The Effects of Federal Mining Fees and Mining Policy Changes on State and Local Revenues and the Mining Industry"**

**Friday, April 20, 2001**

As the largest niche marketed personnel service specializing in the mining industry, with offices in Reno, Elko, Ely and Winnemucca, Nevada and Tucson, Arizona we are constantly in touch with mining industry employees looking for work or looking for people. We have seen the exploration sector of mining decline disproportionately to the commodity price since the maintenance fee system was instituted. Work that required people doing jobs earning money and caring for their families has been reduced in Nevada alone from estimates of 20 million dollars per year to about 10 million dollars a year for a loss of  $\pm 129$  million dollars to our economy.

There has been a dramatic change in the nature of our business and in the demand for labor in the mining industry in the western United States. A decade ago, GEOTEMPS' labor supply was nearly 100% focused on mineral exploration-related jobs, *i.e.*, exploration geologists, claim stakers, geotechnicians, drill helpers, landmen, reclamation crews, etc. By 1997, labor for exploration work entailed roughly 40% of our business, but in the past three years, and in particular during this past year, there has been a near complete collapse. It is my estimate that in the coming year, 2001, almost none of our clients will be requesting mineral exploration-related labor. I estimate that the near total demise of grass roots exploration in 2001 in the western United States will prevent GEOTEMPS from placing hundreds of individuals in jobs in the exploration sector in the upcoming year. Over the years many exploration geologists and other exploration laborers have come to depend on GEOTEMPS to provide them with steady, long-term work. On a personal level it is devastating to me that many of those formerly productive, well-skilled people will have to change industries or careers altogether and give up the way of life they love.

GEOTEMPS has been forced to adjust to this changing climate, now focusing almost solely on providing personnel to our clients at operating existing mines where the initial exploration investments were already made a decade or more ago. GEOTEMPS recently has been forced to close four of its offices due to the bottoming out of the exploration labor market, including our Denver office, which supplied mostly exploration labor. In Reno, nearly 90% of the exploration offices of the major mining companies have also closed in the past two years.

I can attest that the cause of this dramatic decline in mining exploration in the western United States is the increasingly difficult and burdensome regulatory scheme implemented by our federal government. My clients increasingly perceive regulatory compliance as a moving target, with the Bureau of Land Management ("BLM") and other federal agencies gradually imposing a nearly never-ending regulatory process with substantially increased risk to investments. A striking example of this came in March 1999, when the Interior Department and the Agriculture Department jointly took an unprecedented action to revoke the plan of operations for the Crown Jewel Project in the State of Washington, after the plan of operations had been reviewed over a period of years and approved by the BLM and the U. S. Forest Service, and even reviewed and upheld by the federal district court in Oregon. That action sent shockwaves throughout the mining industry and served to substantially reduce the willingness of companies to make new exploration and mine development investments on federal public lands in the United States. The rulemaking to increase the stringency of the 43 C.F.R. Subpart 3809 regulations, which Secretary Babbitt initiated in January of 1997, acted as a further disincentive to new mineral exploration and mine development investments.

Based on my discussions with numerous mining industry professionals, it is nonsense to suggest that lower gold prices are the dominant cause of the recent declines in U.S. mineral exploration investment. As stated above, it is my firm view that the increasingly stringent U.S. regulatory policies and practices are the dominant cause, and the recently released final revisions to the 43 C.F.R. Subpart 3809 regulations that were published in the *Federal Register* on November 21, 2000 are the latest and most devastating manifestation of this trend. Essentially, the new final 3809 regulations will spell the demise of the domestic exploration industry, already crippled by BLM's and other agencies' recent tightening grip. These final regulations will essentially kill the remaining limited incentives for the new mineral exploration and mine development investments.

The near total lack of grass roots exploration, which I expect will prevail during 2001 and beyond I believe will be caused by the threat of a Federal royalty scheme, the millsite opinion, the claim maintenance fees and in large part by the new final 3809 regulations. These actions by the Government are having an irreversible adverse impact on future mineral production and mining jobs associated with operating mines. Without any new grass roots exploration in the western United States, there can be no future development of new mines. Absent relief from these regulations production and employment levels will exist for years to come at substantially lower levels due to the dramatic decline in grass roots exploration occurring now.

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